

## University of Montana ScholarWorks at University of Montana

---

Max S. Baucus Speeches

Archives and Special Collections

---

1-24-1981

# National Homebuilders Convention

Max S. Baucus

Let us know how access to this document benefits you.

Follow this and additional works at: [https://scholarworks.umt.edu/baucus\\_speeches](https://scholarworks.umt.edu/baucus_speeches)

---

### Recommended Citation

Baucus, Max S., "National Homebuilders Convention" (January 24, 1981). *Max S. Baucus Speeches*. 161.  
[https://scholarworks.umt.edu/baucus\\_speeches/161](https://scholarworks.umt.edu/baucus_speeches/161)

This Speech is brought to you for free and open access by the Archives and Special Collections at ScholarWorks at University of Montana. It has been accepted for inclusion in Max S. Baucus Speeches by an authorized administrator of ScholarWorks at University of Montana. For more information, please contact [scholarworks@mso.umt.edu](mailto:scholarworks@mso.umt.edu).

Printing, Graphics & Direct Mail  
ONBASE SYSTEM  
Indexing Form

Senator \* or Department\*: **BAUCUS**

Instructions:

Prepare one form for insertion at the beginning of each record series.

Prepare and insert additional forms at points that you want to index.

For example: at the beginning of a new folder, briefing book, topic, project, or date sequence.

Record Type\*: **Speeches & Remarks**

MONTH/YEAR of Records\*: **January-1981**

(Example: JANUARY-2003)

(1) Subject\*: **National Assn. of Homebuilders Convention in Las Vegas**

(select subject from controlled vocabulary, if your office has one)

(2) Subject\* **2 Versions**

DOCUMENT DATE\*: **01/24/1981**

(Example: 01/12/1966)

\* "required information"



SPEECH BEFORE  
NATIONAL HOMEBUILDERS CONVENTION

January 24, 1981

Las Vegas, Nevada

It is a great pleasure to be here with the Homebuilders of America, even though I know that this meeting is not taking place at a time when the industry is at its healthiest period. I want to take the opportunity of this meeting to discuss with all of you some of the tax measures which have been proposed by the New Administration and some of the tax ideas which have been around for a little while and which are aimed at helping the housing industry.

However, while tax policy addresses the issue, I believe it is most important that we first attempt to define that issue. In my view, it is the problem of consistency. No one can function in an inconsistent world. If you are driving from one place to another, the weather has to be consistent if your trip is to be steady. You need consistent dough if you want a good loaf of bread. The businessman needs consistency in regulations, economic conditions, the value of money, and in everything else touching his business, if he is going to be successful.

Now, obviously, a perfect world does not exist and there will always be fluctuations. But today, the businessman, and particularly the homebuilder, is in a dreadful situation. Not long ago we were horrified at the thought of double digit inflation. We have seen it soar up into the double digits, and, currently, we would consider it a major victory, if we could get it back down to 9 percent.

Interest rates are in the same position, except that the fluctuations have been so much more wild. How can a businessman plan coherently and make good decisions, if, in the course of a year, interest rates he must pay can almost double, drop back down to where they were, and then almost double again?

Indeed, his laborers are in the same situation. Every working person wants some consistency, and the ever present threat of bankruptcy and unemployment plays havoc with everyone.

The housing industry has been particularly hurt by such inconsistency, although I was pleased to see that housing starts in December slipped somewhat less than expected to only about one percent.

But let's be frank: High interest rates in December and the fact that fewer building permits were issued (declining from an annual rate of 135 million to a rate of 123 million in December) would seem to indicate that we are headed for more difficult times in the next couple of quarters.

If one is an optimist, one can hope that by the end of the year we might get back up to 1.7 million starts, with an annual average for 1981 of about 1.4 million starts. But, obviously, that remains to be seen.

I believe the New Administration is very much aware of the problem of the need for consistency, and I share the view that we must do some radical work with the economy if we are to bring back that kind of a business climate as soon as possible. It will not be easy.

Let me turn now to a few matters of general interest before discussing specific tax problems of the housing industry.

The Administration is looking over the Carter Budget, and one can expect some fairly extensive cuts. The problem will be how deep and what will be the effect on the economy.

As far as housing is concerned, the Administration statements so far would seem to indicate that the industry will not be spared the knife. A program such as the Section 235 Home Ownership Program is thought of as being quite expensive for what it produces. There are questions whether it serves the purpose intended.

I would not be too optimistic for the Revised Section 235 to be implemented this year. Also, such things as Section 8 Housing will probably be looked at long and hard. I believe the Administration will shift priorities within HUD, while the 235 Program will continue with the funding it already has. My guess would be that the Administration will look at housing block grants much more strongly, since these should give local entities more freedom of action and should provide local authorities more power to determine how the money should be spent.

Last year's Housing Report mentioned the need to move on housing block grants. I would expect that the Administration is interested in them and would like to develop the concept.

As you know, I am on the Finance Committee, which I am convinced will hit the ground running. Senator Dole is very much interested in all the tax proposals, particularly those which are helpful to capital formation and helping business, and I believe he will press hard for appropriate action.

This does not mean that the Finance Committee will automatically accept all that the Administration proposes. I believe that there is already some difference of opinion between the Administration and the Committee on how best to proceed.

Secretary Regan, in his hearings before confirmation, indicated his strong support for the Kemp-Roth Bill. Since then he has backed off a little bit, and one hears that the 10 percent cut may be reduced to 8 or 9 percent a year, and that it may not be made retroactive to January 1.

On the other hand, Senator Dole and others in the past have endorsed the Senate's own version of a tax cut bill (the so-called 2-4-7-10) and here the reduction in tax rates is considerably less, with income tax rates in every tax bracket to be reduced to 1 to 3 percentage points.

Also, I note that Senator Dole has presented as a very first item of legislation a Tax Indexing Bill, which I believe has considerable popularity.

There is also a lot of interest in the Senate for rectifying the Marriage Tax Penalty and for increasing personal exemptions.

In any event, the so-called 10-5-3 Bill and the 2-4-7-10 Bill will, undoubtedly, become key topics for consideration in the Finance Committee. Both proposals have their strong advocates, and I'm sure the homebuilders will follow this with interest.

Homebuilders and the housing industry in general, however, should note that much of the Administration's

program is designed to "revitalize" or "reindustrialize" the American economy. (Under such circumstances it will be interesting to see how the Administration deals with the housing industry. There is a fair body of opinion that real estate and housing already receive a disproportionate share of attention which limits funds for more productive industries. That is one reason why neither 10-5-3 nor 2-4-7-10 really concentrate very much on real estate).

Of course, a lot of other issues will come up in the Finance Committee, too, which will be of interest. Interestingly, the Republicans have established a new Subcommittee on Estate and Gift Taxes, which will be of general interest. This will be under Senator Symms, and already there are a number of proposals to be considered, including one to do away with the marital deduction and increase the size of the tax credit, so that \$500,000 could pass tax-free to the next generation.

Also, gift taxes could be increased from \$3,000 to possibly \$6 or \$10,000. My own view is that while the gift tax exclusion may have a good chance of passage, a wholesale change of the inheritance legislation will be more difficult, since there is a larger revenue loss.

Now let me turn more specifically to tax proposals of interest to homebuilders. One of the most important is obviously the proposal to encourage the increase in savings accounts. There are a number of proposals along this line, but probably one of the leading ones is the one presented by Senator Bentsen raising the exemption from \$1,000 for single people and \$2,000 for a married couple. As you know, we currently exempt \$200 to \$400, so basically Senator Bentsen is raising that limit.

This proposal and related ones are very popular, as you can imagine. I suspect that some measure along this line will be passed: in tandem, Senator Bentsen has also proposed a Divident Exclusion Bill.

Nonetheless, the fact that they are politically popular proposals, does not mean that they are automatically accepted. You are probably aware that there is a responsible body of opinion which questions the economic effectiveness of such measures. Some think that such proposals would be more effective if they were aimed at incremental increases in savings rather than the first chunk of money saved.

Of course, the revenue loss becomes an important issue, too. Under that yardstick, the dividend exclusion (rising to \$1 billion in its third year) might have a better chance, since it is expected to cost \$600 million in its first year.

By comparison, the revenue loss from the savings exclusion at the \$1,000-\$2,000 rate is expected to go up to \$3 billion a year very quickly. If limited to \$500-1,000, the cost would start at \$1 billion and rise to \$2 billion by its 10th year.

This of course is above and beyond the revenue loss of about \$2-3 billion resulting from the \$200-\$400 exemption granted last year.

Parallel to these proposals and of greater interest to homebuilders, obviously, are the individual housing account bills. Congressman Archer submitted one on the House side just on Thursday.

Senator Dole already expressed an interest in such a proposal in the last session. These have a certain political attractiveness, but, again, I would think that the Administration, if it is really interested in reindustrialization, might look somewhat askance at the revenue loss estimates.

No firm revenue estimates have been made, and Congressman Archer estimates the cost would be only about \$100 million the first year. Apparently the Joint Tax Committee is not as optimistic, since its estimate of revenue loss is approximately \$14 billion.

Also, an Administration interested in easing regulations and paperwork might have difficulty seeing the way through such an innovative, but possibly difficult-to-manage program.

Tax Exempt Revenue Bonds is an area where I personally would tend to be much more pessimistic. The proposals I mentioned before will certainly have a reasonable opportunity for consideration and possible passage. But my guess is that Tax Exempt Revenue Bonds will have rougher sledding.

The compromise reached in the last session was a very difficult one, and I doubt anyone is too anxious to fiddle with it.

There may be some minor fine tuning, but even that I would be somewhat skeptical about. In any event, this is a situation where politics is very important and likely not to lead to too much consideration.

Finally, before closing, let me just mention a couple of other issues which I think have a reasonable chance for consideration and which have good support in the Senate.

First is employee retirement accounts. There is considerable interest in liberalizing the contributions that an individual can make to such accounts since they now only provide additional funds for investment, but also contribute to the security of our future.

Second, the independent contractor problem also has attracted attention. I believe in this instance some sort of a compromise should be able to be worked out between IRS concerns about abuses and the need to let contractors function without harassment. Senator Dole has proposed a measure to tighten up the definition of independent contractors which might be responsive to the problem.

The last item has to do with changes in IRC-189 and IRC-163. It is my belief that the Homebuilders have a valid complaint regarding these, since they do seem to make life difficult for them. I have not yet noticed any major proposals for revision, but I would not be surprised to see such come about.

I, in turn, would be very much interested in hearing your views and with that I take this opportunity to thank you again for letting me appear here and for hearing your comments and questions.

Thank you..



~~THE NEED FOR CONSISTENCY~~

John

Max's Speech before  
National Assn of Home Builders  
Las Vegas, Nev  
1/24/81

IT IS A GREAT PLEASURE TO BE HERE WITH THE HOMEBUILDERS OF AMERICA EVEN THOUGH I KNOW THAT THIS MEETING IS NOT TAKING PLACE AT A TIME WHEN THE INDUSTRY IS AT ITS HEALTHIEST PERIOD.

I WANT TO TAKE THE OPPORTUNITY OF THIS MEETING TO DISCUSS WITH ALL OF YOU SOME OF THE TAX MEASURES WHICH HAVE BEEN PROPOSED BY THE NEW ADMINISTRATION, AND SOME OF THE TAX IDEAS WHICH HAVE BEEN AROUND FOR A LITTLE WHILE, AND WHICH ARE AIMED AT HELPING THE HOUSING INDUSTRY.

HOWEVER, WHILE TAX POLICY ADDRESSES THE ISSUE, I BELIEVE IT IS MOST IMPORTANT THAT WE FIRST ATTEMPT TO DEFINE THAT ISSUE.

IN MY VIEW, IT IS THE PROBLEM OF CONSISTENCY. NO ONE CAN FUNCTION IN AN INCONSISTENT WORLD. IF YOU ARE DRIVING FROM ONE PLACE TO ANOTHER, THE WEATHER HAS TO BE CONSISTENT IF YOU'RE TRIP IS TO BE STEADY.

YOU NEED CONSISTENT DOUGH IF YOU WANT A GOOD LOAF OF BREAD. THE BUSINESSMAN NEEDS CONSISTENCY IN REGULATIONS, ECONOMIC CONDITIONS, THE VALUE OF MONEY, AND IN EVERYTHING ELSE TOUCHING HIS BUSINESS IF HE IS GOING TO BE SUCCESSFUL.

NOW OBVIOUSLY, A PERFECT WORLD DOES NOT EXIST AND THERE WILL ALWAYS BE FLUCTUATIONS. BUT TODAY, THE BUSINESSMAN, AND PARTICULARLY THE HOMEBUILDER, IS IN A DREADFUL SITUATION.

NOT LONG AGO WE <sup>rockets up</sup> WERE HORRIFIED AT THE THOUGHT OF DOUBLE DIGIT INFLATION. WE HAVE SEEN IT SOAR UP INTO THE DOUBLE DIGITS AND CURRENTLY WE WOULD CONSIDER IT A MAJOR VICTORY IF WE COULD GET IT BACK DOWN TO 9 PERCENT.

INTEREST RATES ARE IN THE SAME POSITION, EXCEPT THAT THE FLUCTUATIONS HAVE BEEN SO MUCH MORE WILD. HOW CAN A BUSINESSMAN PLAN COHERENTLY AND MAKE GOOD DECISIONS IF IN THE COURSE OF A YEAR INTEREST RATES HE MUST PAY CAN ALMOST DOUBLE, DROP BACK DOWN TO WHERE THEY WERE, AND THEN ALMOST DOUBLE AGAIN?

INDEED, HIS LABORERS ARE IN THE SAME SITUATION; EVERY WORKING PERSON WANTS SOME CONSISTENCY AND THE EVER PRESENT THREAT OF BANKRUPTCY AND UNEMPLOYMENT PLAYS HAVOC WITH EVERYONE.

THE HOUSING INDUSTRY HAS BEEN PARTICULARLY HURT BY SUCH INCONSISTENCY, ALTHOUGH I WAS PLEASED TO SEE THAT HOUSING STARTS IN DECEMBER SLIPPED SOMEWHAT LESS THAN EXPECTED, ONLY ABOUT 1 PERCENT.

BUT LET'S BE FRANK; HIGH INTEREST RATES IN DECEMBER AND THE FACT THAT FEWER BUILDING PERMITS WERE ISSUED, DECLINING FROM AN ANNUAL RATE OF 135 MILLION TO A RATE OF 123 MILLION IN DECEMBER, WOULD SEEM TO INDICATE THAT WE ARE HEADED FOR MORE DIFFICULT TIMES IN THE NEXT COUPLE OF QUARTERS.

IF ONE IS AN OPTIMIST, ONE CAN HOPE THAT BY THE END OF THE YEAR WE MIGHT GET BACK UP TO 1.7 MILLION STARTS WITH AN ANNUAL AVERAGE FOR 1981 OF ABOUT 1.4 MILLION STARTS. BUT OBVIOUSLY, THAT REMAINS TO BE SEEN.

I BELIEVE THE NEW ADMINISTRATION IS VERY MUCH AWARE OF THE PROBLEM OF THE NEED FOR CONSISTENCY, AND I SHARE THE VIEW THAT WE MUST DO SOME RADICAL WORK WITH THE ECONOMY IF WE ARE TO BRING BACK THAT KIND OF A BUSINESS CLIMATE AS SOON AS POSSIBLE. IT WILL NOT BE EASY.

LET ME TURN NOW TO A FEW MATTERS OF GENERAL INTEREST BEFORE DISCUSSING SPECIFIC TAX PROBLEMS OF THE HOUSING INDUSTRY.

THE ADMINISTRATION IS LOOKING OVER THE CARTER BUDGET, AND ONE CAN EXPECT SOME FAIRLY EXTENSIVE CUTS. THE PROBLEM WILL BE HOW DEEP AND WHAT WILL BE THE EFFECT ON THE ECONOMY.

AS FAR AS HOUSING IS CONCERNED, THE ADMINISTRATION STATEMENTS SO FAR WOULD SEEM TO INDICATE THAT THE INDUSTRY WILL NOT BE SPARED THE KNIFE AND PROGRAMS SUCH AS THE SECTION 235 HOME OWNERSHIP PROGRAM IS THOUGHT OF AS BEING QUITE EXPENSIVE FOR WHAT IT PRODUCES. THERE ARE QUESTIONS WHETHER IT SERVES THE PURPOSE INTENDED.

I WOULD NOT BE TOO OPTIMISTIC FOR THE REVISED SECTION 235 TO BE IMPLEMENTED THIS YEAR. ALSO, SUCH THINGS AS SECTION 8 HOUSING WILL PROBABLY BE LOOKED AT LONG AND HARD.

I BELIEVE ~~WHAT WILL HAPPEN IS THAT~~ THE ADMINISTRATION WILL SHIFT PRIORITIES WITHIN HUD WHILE THE 235 PROGRAM WILL CONTINUE WITH THE FUNDING IT ALREADY HAS. MY GUESS WOULD BE THAT THE ADMINISTRATION WILL LOOK AT HOUSING BLOCK GRANTS MUCH MORE STRONGLY SINCE THESE SHOULD GIVE LOCAL ENTITIES MORE FREEDOM OF ACTION AND LOCAL AUTHORITIES MORE POWER TO DETERMINE HOW THE MONEY SHOULD BE SPENT.

LAST YEAR'S HOUSING REPORT MENTIONED THE NEED TO MOVE ON HOUSING BLOCK GRANTS AND I WOULD EXPECT THAT THE ADMINISTRATION IS INTERESTED IN THEM AND WOULD LIKE TO DEVELOP THE CONCEPT.

AS YOU KNOW, I AM ON THE FINANCE COMMITTEE, AND I AM CONVINCED THAT IT WILL HIT THE GROUND RUNNING. SENATOR DOLE IS VERY MUCH INTERESTED IN ALL THE TAX PROPOSALS, PARTICULARLY THOSE WHICH ARE HELPFUL TO CAPITAL FORMATION AND HELPING BUSINESS, AND I BELIEVE HE WILL PRESS HARD FOR APPROPRIATE ACTION.

THIS DOES NOT MEAN THAT THE FINANCE COMMITTEE WILL AUTOMATICALLY ACCEPT ALL THAT THE ADMINISTRATION PROPOSES. I BELIEVE THAT THERE IS ALREADY SOME DIFFERENCE OF OPINION BETWEEN THE ADMINISTRATION AND THE COMMITTEE ON HOW BEST TO PROCEED.

SECRETARY REGAN, IN HIS HEARINGS BEFORE CONFIRMATION, INDICATED HIS STRONG SUPPORT FOR THE KEMP-ROTH BILL. SINCE THEN HE HAS BACKED OFF A LITTLE BIT AND ONE HEARS THAT THE 10 PERCENT CUT MAY BE REDUCED TO 8 OR 9 PERCENT A YEAR, AND IT MAY NOT BE MADE RETROACTIVE TO JANUARY 1.

Note:  
Proxmire  
said  
yesterday  
that the  
Administration  
will hit the  
ground  
with a  
"head"  
in a  
"heap"

ON THE OTHER HAND, SENATOR DOLE AND OTHERS HAVE IN THE PAST ENDORSED THE SENATE'S OWN VERSION OF A TAX CUT BILL (THE SO-CALLED 2-4-7-10) AND HERE THE REDUCTION IN TAX RATES IS CONSIDERABLY LESS, WITH INCOME TAX RATES ON EVERY TAX BRACKET TO BE REDUCED BY 1 TO 3 PERCENTAGE POINTS.

ALSO, I NOTE THAT SENATOR DOLE HAS PRESENTED AS A VERY FIRST ITEM OF LEGISLATION, A TAX INDEXING BILL, WHICH I BELIEVE HAS CONSIDERABLE POPULARITY.

THERE IS ALSO A LOT OF INTEREST IN THE SENATE FOR RECTIFYING THE MARRIAGE TAX PENALTY AND FOR INCREASING PERSONAL EXEMPTIONS.

IN ANY EVENT, THE SO-CALLED 10-5-3 BILL AND THE 2-4-7-10 BILL WILL UNDOUBTEDLY BECOME KEY TOPICS FOR CONSIDERATION IN THE FINANCE COMMITTEE. BOTH PROPOSALS HAVE THEIR STRONG ADVOCATES AND I'M SURE THE HOMEBUILDERS WILL FOLLOW THIS WITH INTEREST.

HOMEBUILDERS AND THE HOUSING INDUSTRY IN GENERAL, HOWEVER, SHOULD NOTE THAT MUCH OF THE ADMINISTRATION'S PROGRAM IS DESIGNED TO "REVITALIZE" OR "REINDUSTRIALIZE" THE AMERICAN ECONOMY. UNDER SUCH CIRCUMSTANCES IT WILL BE INTERESTING TO SEE HOW THE ADMINISTRATION DEALS WITH THE HOUSING INDUSTRY SINCE THERE IS A FAIR BODY OF OPINION THAT REAL ESTATE AND HOUSING ALREADY RECEIVE A DISPROPORTIONATE SHARE OF ATTENTION, AND THAT IF ANYTHING IS NEEDED, IT IS TO DIMINISH THAT INTEREST AND PROMOTE POLICIES THROUGH THE TAX POWER WHICH ENCOURAGE INVESTMENT IN OTHER INDUSTRIES OF GREATER PRODUCTIVITY.

THAT IS ONE REASON WHY NEITHER 10-5-3 NOR 2-4-7-10  
REALLY CONCENTRATE VERY MUCH ON REAL ESTATE.

really?  
not much  
for polio  
and a  
house up 24%  
new up  
increase

OF COURSE, A LOT OF OTHER ISSUES WILL COME UP IN THE  
FINANCE COMMITTEE, TOO, WHICH WILL BE OF INTEREST.

INTERESTINGLY, THE REPUBLICANS HAVE ESTABLISHED A NEW  
SUBCOMMITTEE ON ESTATE AND GIFT TAXES, WHICH WILL BE OF GENERAL  
INTEREST. THIS WILL BE UNDER SENATOR SYMMS, AND ALREADY THERE  
ARE A NUMBER OF PROPOSALS TO BE CONSIDERED INCLUDING ONE TO DO  
AWAY WITH THE MARITAL DEDUCTION AND INCREASE THE SIZE OF THE  
TAX CREDIT, SO THAT \$500,000 COULD PASS TAX-FREE TO THE NEXT  
GENERATION.

ALSO, GIFT TAXES COULD BE INCREASED FROM \$3,000 TO POSSIBLY  
\$6 OR \$10,000. MY OWN VIEW IS THAT WHILE THE GIFT TAX EXCLUSION  
MAY HAVE A GOOD CHANCE OF PASSAGE, A WHOLESAL CHANGE OF THE  
INHERITANCE LEGISLATION WILL BE MORE DIFFICULT, SINCE THERE IS  
A LARGER REVENUE LOSS.

NOW LET ME TURN MORE SPECIFICALLY TO TAX PROPOSALS OF INTEREST  
TO HOMEBUILDERS.

ONE OF THE MOST IMPORTANT IS OBVIOUSLY THE PROPOSAL TO  
ENCOURAGE THE INCREASE IN SAVINGS ACCOUNTS. THERE ARE A NUMBER  
OF PROPOSALS ALONG THIS LINE, BUT PROBABLY ONE OF THE LEADING  
ONES IS THE ONE PRESENTED BY SENATOR BENTSEN RAISING THE EXEMPTION  
FROM \$1,000 FOR SINGLE PEOPLE AND \$2,000 FOR A MARRIED COUPLE.

AS YOU KNOW, WE CURRENTLY EXEMPT \$200-\$400, AND SO BASICALLY SENATOR BENTSEN IS RAISING THAT LIMIT.

THIS PROPOSAL AND RELATED ONES ARE VERY POPULAR AS YOU CAN IMAGINE. I SUSPECT THAT SOME MEASURE ALONG THIS LINE WILL BE PASSED; IN TANDEM, SENATOR BENTSEN HAS ALSO PROPOSED A DIVIDEND EXCLUSION BILL.

NONETHELESS, THE FACT THAT THEY ARE POLITICALLY POPULAR PROPOSALS, DOES NOT MEAN THAT THEY ARE AUTOMATICALLY ACCEPTED. YOU ARE PROBABLY AWARE THAT THERE IS A RESPONSIBLE BODY OF OPINION WHO QUESTION THE ECONOMIC EFFECTIVENESS OF SUCH MEASURES?

SOME THINK THAT SUCH PROPOSALS WOULD BE MORE EFFECTIVE IF THEY WERE AIMED AT INCREMENTAL INCREASES IN SAVINGS RATHER THAN THE FIRST CHUNK OF MONEY SAVED.

OF COURSE, THE REVENUE LOSS BECOMES AN IMPORTANT ISSUE, TOO.

UNDER THAT YARDSTICK, THE DIVIDEND EXCLUSION MIGHT HAVE A BETTER CHANCE SINCE IT IS EXPECTED TO COST \$600 MILLION IN ITS FIRST YEAR RISING TO \$1 BILLION IN ITS THIRD YEAR.

BY COMPARISON, THE REVENUE LOSS FROM THE SAVINGS EXCLUSION AT THE \$1,000-2,000 RATE IS EXPECTED TO GO UP TO \$3 BILLION A YEAR VERY QUICKLY. IF LIMITED TO \$500-1,000, THE COST WOULD START AT \$1 BILLION AND RISE TO \$2 BILLION BY ITS 10TH YEAR.

THIS OF COURSE IS ABOVE AND BEYOND THE COSTS OF THE \$200-400 PROGRAM WHICH ARE SOMEWHERE BETWEEN \$2-3 BILLION A YEAR.

PARALLEL TO THESE PROPOSALS AND OF GREATER INTEREST TO HOMEBUILDERS, OBVIOUSLY, ARE THE INDIVIDUAL HOUSING ACCOUNT BILLS. CONGRESSMAN ARCHER SUBMITTED ONE ON THE HOUSE SIDE JUST ON THURSDAY.

- SENATOR DOLE ALREADY EXPRESSED AN INTEREST IN SUCH A PROPOSAL IN THE LAST SESSION. THESE HAVE A CERTAIN POLITICAL ATTRACTIVENESS, BUT AGAIN, I WOULD THINK THAT THE ADMINISTRATION, IF IT IS REALLY INTERESTED IN REINDUSTRIALIZATION, MIGHT LOOK SOMEWHAT ASKANCE AT THE REVENUE LOSS ESTIMATES.

NO FIRM REVENUE ESTIMATES HAVE BEEN MADE, AND CONGRESSMAN ARCHER ESTIMATES THE COST WOULD BE ONLY ABOUT \$100 MILLION THE FIRST YEAR, BUT APPARENTLY THE JOINT TAX COMMITTEE IS NOT AS OPTIMISTIC, APPROXIMATELY \$14 BILLION.

ALSO, FOR AN ADMINISTRATION INTERESTED IN EASING REGULATIONS AND PAPERWORK, IT MIGHT BE DIFFICULT TO SEE THE WAY THROUGH SUCH AN INNOVATIVE, BUT POSSIBLY DIFFICULT TO MANAGE PROGRAM.

TAX EXEMPT REVENUE BONDS IS AN AREA WHERE I PERSONALLY WOULD TEND TO BE MUCH MORE PESSIMISTIC. THE PROPOSALS I MENTIONED BEFORE WILL CERTAINLY HAVE A REASONABLE OPPORTUNITY FOR CONSIDERATION AND POSSIBLE PASSAGE. BUT MY GUESS IS THAT TAX EXEMPT REVENUE BONDS WILL HAVE ROUGHER SLEDDING.

THE COMPROMISE REACHED IN THE LAST SESSION WAS A VERY DIFFICULT ONE, AND I DOUBT ANYONE IS TOO ANXIOUS TO FIDDLE WITH IT.



THERE MAY BE SOME MINOR FINE TUNING, BUT EVEN THAT I WOULD BE SOMEWHAT SKEPTICAL ABOUT. IN ANY EVENT, THIS IS A SITUATION WHERE POLITICS IS VERY IMPORTANT, AND LIKELY NOT TO LEAD TO TOO MUCH CONSIDERATION.

FINALLY, BEFORE CLOSING, LET ME JUST MENTION A COUPLE OF OTHER ISSUES WHICH I THINK HAVE A REASONABLE CHANCE OF CONSIDERATION AND WHICH HAVE GOOD SUPPORT IN THE SENATE.

THE FIRST IS THE IMPROVEMENT OF THE WAY EMPLOYEE RETIREMENT ACCOUNTS ARE TREATED, LIBERALIZING THE CONTRIBUTIONS THAT AN INDIVIDUAL CAN MAKE TO SUCH ACCOUNTS, AND A CLARIFYING OF THE INDEPENDENT CONTRACTOR PROBLEM.

I BELIEVE IN THE LATTER INSTANCE, SOME SORT OF A COMPROMISE SHOULD BE ABLE TO BE WORKED OUT. SENATOR DOLE HAS PROPOSED A MEASURE TO TIGHTEN UP THE DEFINITION OF INDEPENDENT CONTRACTORS.

THE LAST ITEM HAS TO DO WITH CHANGES IN IRC-189 AND IRC-163. IT IS MY BELIEF THAT THE HOMEBUILDERS HAVE A VALID COMPLAINT REGARDING THESE, SINCE THEY DO SEEM TO MAKE LIFE DIFFICULT FOR THEM. I HAVE NOT YET NOTICED ANY MAJOR PROPOSALS FOR REVISION, BUT I WOULD NOT BE SURPRISED TO SEE SUCH COME ABOUT.

I IN TURN WOULD BE VERY MUCH INTERESTED IN HEARING YOUR VIEWS AND WITH THAT I TAKE THIS OPPORTUNITY TO THANK YOU AGAIN FOR LETTING ME APPEAR HERE AND FOR HEARING YOUR COMMENTS AND QUESTIONS.

THANK YOU.

tax reduction — not 10%  
later date

widening — more popular

depreciation — 2-4-7-10

\$ 22

savings incentives

17  
\$ 39

corp tax reduction — tend to think yes

corp gains

will

fed estate tax

cuts must be fair